

**AUDIT OF THE  
CLARK COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2005**

**ROSS & COMPANY, PLLC  
Certified Public Accountants**

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### APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Henry Branham, Clark County Judge/Executive

Honorable John W. Myers, Former Clark County Judge/Executive

Members of the Clark County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clark County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Clark County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Clark County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Henry Branham, Clark County Judge/Executive  
Honorable John W. Myers, Former Clark County Judge/Executive  
Members of the Clark County Fiscal Court  
(Continued)

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

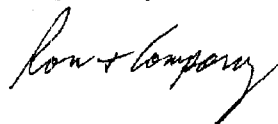
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2006 on our consideration of Clark County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The Jail Canteen Fund Should Not Pay For Jail Renovations.

Respectfully submitted,



Ross & Company, PLLC

Audit fieldwork completed-  
July 25, 2006

**CLARK COUNTY OFFICIALS**  
Fiscal Year Ended June 30, 2005

**Fiscal Court Members:**

John W. Myers	County Judge/Executive
Clifton R. Smith	Magistrate
Gerald Rogers	Magistrate
Billy Thomas	Magistrate
Joe McCord	Magistrate
Pamela Blackburn	Magistrate
Will Richardson	Magistrate
John Henry Ramsey	Magistrate

**Other Elected Officials:**

Gardner Wagers	County Attorney
Bobby Stone	Jailer
Anita S. Jones	County Clerk
David Hunt	Circuit Court Clerk
Ray Caudill	Sheriff
Karen Bushart	Property Valuation Administrator
David Jacobs	Coroner

**Appointed Personnel:**

Henry Branham	County Treasurer
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**CLARK COUNTY**  
**STATEMENT OF NET ASSETS-MODIFIED CASH BASIS**

**June 30, 2005**

**CLARK COUNTY**  
**STATEMENT OF NET ASSETS-MODIFIED CASH BASIS**

**June 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,192,496	\$ 189,352	\$ 1,381,848
Total Current Assets	<u>1,192,496</u>	<u>189,352</u>	<u>1,381,848</u>
Noncurrent Assets:			
Capital Assets-Net of Accumulated Depreciation			
Land and Land Improvement	1,413,183		1,413,183
Buildings	6,233,490		6,233,490
Other Equipment	628,024		628,024
Vehicles and Equipment	814,942	25,591	840,533
Infrastructure Assets-Net of Depreciation	<u>214,269</u>		<u>214,269</u>
Total Noncurrent Assets	<u>9,303,908</u>	<u>25,591</u>	<u>9,329,499</u>
Total Assets	<u>10,496,404</u>	<u>214,943</u>	<u>10,711,347</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	255,000		255,000
Financing Obligations	<u>128,189</u>		<u>128,189</u>
Total Current Liabilities	<u>383,189</u>		<u>383,189</u>
Noncurrent Liabilities:			
Bonds Payable	2,000,000		2,000,000
Financing Obligations	<u>2,122,870</u>		<u>2,122,870</u>
Total Noncurrent Liabilities	<u>4,122,870</u>		<u>4,122,870</u>
Total Liabilities	<u>4,506,059</u>		<u>4,506,059</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,797,849	25,591	4,823,440
Unrestricted	<u>1,192,496</u>	<u>189,352</u>	<u>1,381,848</u>
Total Net Assets	<u>\$ 5,990,345</u>	<u>\$ 214,943</u>	<u>\$ 6,205,288</u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**CLARK COUNTY**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

Functions/Programs Reporting Entity	Program Revenue Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,224,508	\$	\$ 1,499,226	\$
Protection to Persons and Property	3,045,562	78,488	1,076,211	71,800
General Health and Sanitation	339,525	238,463	1,072,451	
Social Services	117,395			
Recreation and Culture	309,601		403,251	
Roads	858,959		1,023,803	
Debt Service	259,728			
Capital Projects	2,304,299			
Total Governmental Activities	9,459,577	316,951	5,074,942	71,800
Business-type Activities:				
Jail Canteen	269,887	252,740		
Total Business-type Activities	269,887	252,740		
Total Primary Government	\$ 9,729,464	\$ 569,691	\$ 5,074,942	\$ 71,800

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Tax

Others Taxes

Excess Fees

Licenses and Permits

Unrestricted Investment Earnings

Miscellaneous Revenue

Total General Revenues

Changes in Net Assets

Net Assets-Beginning Restated

Net Assets-Ending

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

For The Year Ended June 30, 2005  
(Continued)

Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (725,282)	\$	\$ (725,282)
(1,819,063)		(1,819,063)
971,389		971,389
(117,395)		(117,395)
93,650		93,650
164,844		164,844
(259,728)		(259,728)
(2,304,299)		(2,304,299)
(3,995,884)		(3,995,884)
	(17,147)	(17,147)
	(17,147)	(17,147)
(3,995,884)	(17,147)	(4,013,031)
1,137,608		1,137,608
155,527		155,527
193,789		193,789
1,744,753		1,744,753
304,754		304,754
52,039		52,039
78,263		78,263
196,523		196,523
3,863,256		3,863,256
(132,628)	(17,147)	(149,775)
6,122,973	232,090	6,355,063
\$ 5,990,345	\$ 214,943	\$ 6,205,288

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**BALANCE SHEET-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

**June 30, 2005**

**CLARK COUNTY**  
**BALANCE SHEET-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

**June 30, 2005**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 361,022	\$ 110,101	\$ 52,668	\$ 369,881	\$ 298,824	\$ 1,192,496
Total Assets	<u>361,022</u>	<u>110,101</u>	<u>52,668</u>	<u>369,881</u>	<u>298,824</u>	<u>\$ 1,192,496</u>
<b>FUND BALANCES</b>						
Reserved For:						
Encumbrances	10,824	8,954	58			19,836
Unreserved:						
General Fund	350,198					350,198
Special Revenue Funds		101,147	52,610		298,824	452,581
Debt Service Funds				369,881		369,881
Total Fund Balance	<u>\$ 361,022</u>	<u>\$ 110,101</u>	<u>\$ 52,668</u>	<u>\$ 369,881</u>	<u>\$ 298,824</u>	<u>\$ 1,192,496</u>

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets**

Total Fund Balances	\$ 1,192,496
Amounts reported for Government Activities in the Statement Of Net Assets are difference because:	
Capital Assets Used in Government Activities are not Financial Resources and therefore are not reported in the funds.	13,064,100
Accumulated Depreciation	(3,760,192)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Bonded Debt	(2,255,000)
Financing Obligations	<u>(2,251,059)</u>
Net Assets Of Government Activities	<u>\$ 5,990,345</u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Public Properties Corporation Fund</u>
<b>REVENUES</b>				
Taxes	\$ 3,231,677	\$	\$	\$
Excess Fees	304,754			
Licenses and Permits	52,039			
Intergovernmental Revenues	3,350,092	920,753	772,848	
Charges for Services	238,463		78,488	
Miscellaneous	189,110	3,119	4,294	
Interest	58,463	7,006	133	5,921
Total Revenue	<u>7,424,598</u>	<u>930,878</u>	<u>855,763</u>	<u>5,921</u>
<b>EXPENDITURES</b>				
General Government	1,307,501			
Protection to Persons and Property	1,869,095		1,166,824	
General Health and Sanitation	335,642			
Social Services	117,395			
Recreation and Culture	306,618			
Roads	24,235	862,623		
Debt Service:				
Principal	115,000			245,000
Interest and Fees	139,278	624		119,825
Capital Projects	2,211,543	92394	362	
Administration	642,002		205,672	
Total Expenditures	<u>7,068,309</u>	<u>955,641</u>	<u>1,372,858</u>	<u>364,825</u>
Excess (Deficiency) of Revenue Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>356,289</u>	<u>(24,763)</u>	<u>(517,095)</u>	<u>(358,904)</u>
<b>Other Financing Sources (Uses)</b>				
Kentucky State Fire Commission - Lease Proceeds	73,059			
Transfers From Other Funds	199,136	150,000	722,000	360,389
Transfer To Other Funds	<u>(1,017,584)</u>	<u>(199,136)</u>	<u>(152,805)</u>	
Total Other Financing Sources (Uses)	<u>(745,389)</u>	<u>(49,136)</u>	<u>569,195</u>	<u>360,389</u>
Net Change in Fund Balances	(389,100)	(73,899)	52,100	1,485
Fund Balances-Beginning	750,122	184,000	568	368,396
Fund Balances-Ending	<u>\$ 361,022</u>	<u>\$ 110,101</u>	<u>\$ 52,668</u>	<u>\$ 369,881</u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 3,231,677
	304,754
	52,039
103,050	5,146,743
	316,951
	196,523
6,740	78,263
109,790	9,326,950
	1,307,501
	3,035,919
	335,642
	117,395
150	306,768
	886,858
	360,000
	259,727
	2,304,299
	847,674
150	9,761,783
109,640	(434,833)
	73,059
	1,431,525
(62,000)	(1,431,525)
(62,000)	73,059
47,640	(361,774)
251,184	1,554,270
\$ 298,824	\$ 1,192,496

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**CLARK COUNTY**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**

**For The Fiscal Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (361,774)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	296,460
Depreciation Expense	(352,255)
Asset disposed of, net book value	(2,000)

The issuance of long-term debt provides current financial resources to governmental funds, while financing obligation and bond principal payments are expensed in the governmental funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(73,059)
Financing Obligation Payment	115,000
Bond payment	245,000

Change in Net Assets of Governmental Activities	\$ (132,628)
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The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – MODIFIED CASH BASIS**

**June 30, 2005**

**CLARK COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS -**  
**MODIFIED CASH BASIS**

**June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 189,352
Total Current Assets	<u>189,352</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	32,667
Less Accumulated Depreciation	<u>(7,076)</u>
Total Noncurrent Assets	<u>25,591</u>
Total Assets	<u>214,943</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	25,591
Unrestricted	189,352
Total Net Assets	<u><u>\$ 214,943</u></u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET ASSETS-PROPRIETARY FUND-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenue</b>	
Canteen Revenues	\$ 252,740
Total Operating Revenue	<u>252,740</u>
<b>Operating Expenses</b>	
Canteen Inventory	143,581
Sales Tax	2,679
Medical Reimbursements	951
Miscellaneous	17,206
Jail Renovations	70,638
Depreciation	2,613
Total Operating Expenses	<u>237,668</u>
Operating Income (Loss)	<u>15,072</u>
<b>Nonoperating Expenses</b>	
Inmate Refunds	(18,058)
Inmate Fees and Fines	(14,161)
Total Nonoperating Expenses	<u>(32,219)</u>
Changes In Net Assets	(17,147)
Total Net Assets - Beginning	232,090
Total Net Assets- Ending	<u><u>\$ 214,943</u></u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUND-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS-**  
**PROPRIETARY FUNDS-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 248,954
Payments to Suppliers	(143,581)
Sales Tax	(2,679)
Medical Reimbursements	(951)
Miscellaneous	(17,206)
Jail Renovations	(70,638)
Net Cash Provided By Operating Activities	<u>13,899</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Refunds	(18,058)
Inmate Fees and Fines	(14,161)
Net Cash Provided By Noncapital Financing Activities	<u>(32,219)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>3,786</u>
Net Cash Provided By Investing Activities	3,786
Net Increase in (Decrease) in Cash and Cash Equivalent	(14,534)
Cash and Cash Equivalent-July 1, 2004	<u>203,886</u>
Cash and Cash Equivalents-June 30, 2005	<u><u>\$ 189,352</u></u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS-**  
**PROPRIETARY FUNDS-MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income	\$ 15,072
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,613</u>
Net Cash Provided By Operating Activities	<u><u>\$ 17,685</u></u>

The accompanying notes are an integral part of the financial statements.



**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transaction, with few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet-Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Clark County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the entity includes a organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Based upon the criteria stated in GASB 14 and GASB 39, management has included the Clark County Public Properties Courthouse Corporation as a blended unit. The County has no discretely presented component units.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Clark County Constitutional Elected Officials**

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Clark County, Kentucky.

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Jailer
- County Sheriff
- Property Valuation Administrator

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internal dedicated resources such as taxes and other unrestricted state funds are reported as general revenues.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund – The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, and Special Projects Fund.

**Special Revenues Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, and Special Projects Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United State government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (road and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land is not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$25,000	10-60
Buildings	25,000	10-75
Building Improvements	25,000	10-60
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**G. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Jail Canteen Fund.

The State Local Finance Officer does not require the Jail Canteen fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Clark County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The State Local Finance Officer does not require this fund to be budgeted.

**Note 2. Deposits**

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 2. Deposits (Continued)**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,413,183	\$	\$	\$ 1,413,183
Total Capital Assets Not Being Depreciated	1,413,183			\$ 1,413,183
Capital Assets Being Depreciated:				
Buildings and Improvements	8,087,734	15,386		8,103,120
Other Equipment	1,098,512	116,656		1,215,168
Vehicles and Equipment	2,029,504	89,380	(35,874)	2,083,010
Infrastructure	174,581	75,038		249,619
Capital Assets Being Depreciated	11,390,331	296,460	(35,874)	11,650,917
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,731,858)	(137,772)		(1,869,630)
Other Equipment	(490,818)	(96,326)		(587,144)
Vehicles and Equipment	(1,204,587)	(97,355)	33,874	(1,268,068)
Infrastructure	(14,548)	(20,802)		(35,350)
Total Accumulated Depreciation	(3,441,811)	(352,255)	33,874	(3,760,192)
Total Capital Assets Being Depreciated, Net	7,948,520	(55,795)	2,000	7,890,725
Government Activities Capital Assets, Net	\$ 9,361,703	\$ (55,795)	\$ 2,000	\$ 9,303,908



**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 32,667	\$	\$	\$ 32,667
Total Capital Assets Being Depreciated	32,667			32,667
Less Accumulated Depreciation For:				
Vehicles and Equipment	(4,463)	(2,613)		(7,076)
Total Accumulated Depreciation	(4,463)	(2,613)		(7,076)
Total Capital Assets Being Depreciated, Net	28,204	(2,613)		25,591
Business-Type Activities Capital Assets, Net	\$ 8,204	\$ (2,613)	\$	\$ 25,591

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 84,720
Protection to Persons and Property	197,479
General Health and Sanitation	3,884
Recreation and Culture	2,833
Roads	63,339

Total Depreciation Expense – Governmental Activities \$ 352,255

Business-Type Activities

Total Depreciation Expense – Business Type Activities \$ 2,613

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Long-Term Debt**

**A. Refunding Revenue Bonds, (Courthouse and Detention Facilities Projects)**

On October 4, 1997, the Public Properties Corporation issued \$3,970,000 of First Mortgage Refunding Revenue Bonds for the purpose of refinancing the Court and Detention Facilities Projects prior bond issues. Principal payments are due each June 1, and interest payments are due each June 1, and December 1, with final maturity in fiscal year 2016. The amount of principal outstanding as of June 30, 2005, was \$2,255,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 255,000	\$ 108,800
2007	270,000	97,325
2008	280,000	85,040
2009	290,000	72,020
2010	230,000	58,245
2011-2015	665,000	156,385
2016	265,000	13,515
Total	<u>\$ 2,255,000</u>	<u>\$ 591,330</u>

**B. Water Lines**

1. On June 18, 1993, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural water lines. The amount of the lease was \$1,250,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2018. The outstanding principal balance as of June 30, 2005, was \$850,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 50,000	\$ 36,975
2007	53,000	36,057
2008	55,000	38,607
2009	57,000	35,003
2010	60,000	36,302
2011-2015	337,000	182,866
2016-2018	238,000	73,849
Total	<u>\$ 850,000</u>	<u>\$ 439,659</u>

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**B. Water Lines (Continued)**

2. On October 5, 1995, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural water lines. The amount of the lease was \$1,400,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2019. The outstanding principal balance as of June 30, 2005, was \$1,028,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 52,000	\$ 55,320
2007	55,000	49,614
2008	58,000	47,378
2009	61,000	44,471
2010	64,000	41,168
2011-2015	369,000	170,423
2016-2019	369,000	44,505
Total	<u>\$ 1,028,000</u>	<u>\$ 452,879</u>

3. On May 7, 2001, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in order to refinance the lease agreement originally entered into on November 1, 1990, for the expanded construction of rural water lines. The amount of the lease was \$382,000 to be repaid in 180 monthly payments of varying amounts terminating November 1, 2015. The outstanding principal balance as of June 30, 2005, was \$300,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 22,000	\$ 15,215
2007	23,000	14,042
2008	24,000	12,817
2009	25,000	11,540
2010	26,000	10,210
2011-2015	147,000	29,178
2016	33,000	1,007
Total	<u>\$ 300,000</u>	<u>\$ 94,009</u>

Clark County entered into a sublease agreement with the East Clark Water District to use the water lines. The sublease agreement requires the East Clark Water District to make all lease payments. The East Clark Water District is in substantial compliance with the terms of the sublease agreement.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**C. Kentucky State Fire Commission**

On January 13, 2005 Clark County entered into a security / lease agreement with the Kentucky State Fire Commission, for the purchase of fire fighting equipment. The amount of the agreement was \$73,059 to be repaid in 13 annual payments of \$6,119 each, terminating November 30, 2017. The outstanding principal balance as of June 30, 2005, was \$73,059.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,189	\$ 1,928
2007	4,853	2,066
2008	4,998	1,920
2009	5,148	1,771
2010	5,303	1,616
2011-2015	28,997	1,457
2016-2017	19,571	1,293
Total	<u>\$ 73,059</u>	<u>\$ 12,051</u>

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Revenue Bonds	\$ 2,500,000		\$ 245,000	\$ 2,255,000	\$ 255,000
Financing Obligations	2,293,000	73,059	115,000	2,251,059	128,189
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,793,000</u>	<u>\$ 73,059</u>	<u>\$ 360,000</u>	<u>\$ 4,506,059</u>	<u>\$ 383,189</u>

**Note 5. Interest On Long-Term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$108,798 in interest on financing obligations and \$119,825 on generation obligation bonds.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 6. Related Party Transactions**

During fiscal year ended June 30, 2005, the Clark County Fiscal Court conducted business with Laymor Paving and E & E Brothers Inc. Magistrate Gerald Rogers' brother owns Laymor Paving and E & E Brothers Inc. and is partly owned by Magistrate Gerald Rogers' brother-in-law. Payments of \$9,836 were made to Laymor Paving and payments of \$6,547 were made to E & E Brothers Inc. during the fiscal year. The Clark County Ethics Board reviewed the related party transactions and ruled no ethical violation under the current ethics code has occurred.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

On May 23, 2001, the Clark County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 9. Insurance**

For the fiscal year ended June 30, 2005, Clark County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Solid Waste Landfill**

On June 4, 1998, Clark County Fiscal Court (hereinafter "County") entered into a lease agreement with Winchester Municipal Utilities (hereinafter "WMU") for the rental of county property upon which the County and WMU formerly operated landfills. The lease states, in part, "it is necessary for WMU to continue occupancy of the farm to meet post closure requirements of state and federal law." Terms of the lease, in part, "shall be twenty (20) years from the date hereof, or a minimum of two years after the landfills have closure certification from the state," and call for a rental payment of "One Dollar (\$1.00) per year." The lease defines liabilities with regard to the maintenance of access roads, use of the property, insurance on the property, and the allocation of post closure care costs provided by WMU. The County made payments to WMU in the amount of \$76,416 during the fiscal year ended June 30, 2005, for its share of post closure care costs.

**Note 11. Prior Period Adjustments**

Beginning net assets of the governmental activities was increased by \$34,426 due to a capital asset omission from the prior year report. Accumulated depreciation had a corresponding increase of \$2,192 and the net change was an increase of \$32,234.

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS**  
**Required Supplemental Information - Modified Cash Basis**

**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,115,000	\$ 3,115,000	\$ 3,231,677	\$ 116,677
Excess Fees	77,602	272,947	304,754	31,807
Licenses and Permits	47,250	47,250	52,039	4,789
Intergovernmental Revenues	2,918,980	3,985,708	3,350,092	(635,616)
Charges for Services	279,000	279,000	238,463	(40,537)
Miscellaneous	232,089	235,962	189,110	(46,852)
Interest	58,705	58,705	58,463	(242)
Total Revenues	6,728,626	7,994,572	7,424,598	(569,974)
<b>EXPENDITURES</b>				
General Government	1,330,210	1,386,001	1,307,501	78,500
Protection to Persons and Property	1,980,468	2,135,788	1,869,095	266,693
General Health and Sanitation	413,549	421,882	335,642	86,240
Social Services	118,850	118,850	117,395	1,455
Recreation and Culture	373,863	356,429	306,618	49,811
Roads	14,000	24,235	24,235	
Debt Service:				
Principal	3,047,320	3,047,320	2,998,784	48,536
Interest and Fees	243,544	243,544	254,278	(10,734)
Capital Projects	1,654,700	2,654,700	2,211,543	443,157
Administration	632,699	657,909	642,002	15,907
Total Expenditures	9,809,203	11,046,658	10,067,093	979,565
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(3,080,577)	(3,052,086)	(2,642,495)	409,591
<b>OTHER FINANCING SOURCES (USES)</b>				
Kentucky Advance Revenue Program	2,791,200	2,791,200	2,791,200	
KCTCS - Loan		73,059	73,059	
Transfers From Other Funds	49,136	49,136	199,136	150,000
Transfers To Other Fund	(509,879)	(509,879)	(810,000)	(300,121)
Total Other Financing Sources and (Uses)	2,330,457	2,403,516	2,253,395	(150,121)
Net Changes in Fund Balances	(750,120)	(648,570)	(389,100)	259,470
Fund Balance-Beginning	750,120	750,120	750,122	2
Fund Balance-Ending	\$	\$ 101,550	\$ 361,022	\$ 259,472



**CLARK COUNTY****BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS****Required Supplemental Information - Modified Cash Basis****For The Year Ended June 30, 2005****(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 972,891	\$ 1,047,891	\$ 920,753	\$ (127,138)
Miscellaneous		2,500	3,119	619
Interest	4,833	4,833	7,006	2,173
Total Revenues	977,724	1,055,224	930,878	(124,346)
<b>EXPENDITURES</b>				
Roads	883,199	921,656	862,623	59,033
Debt Service:				
Principal	57,100	57,100	57,100	
Interest	667	667	624	43
Capital Projects	203,385	252,356	92,394	159,962
Administration	25,337	16,451		16,451
Total Expenditures	1,169,688	1,248,230	1,012,741	235,489
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(191,964)	(193,006)	(81,863)	111,143
<b>OTHER FINANCING SOURCES (USES)</b>				
Kentucky Advance Revenue Program	57,100	57,100	57,100	
Transfers From Other Funds			150,000	150,000
Transfers To Other Fund	(49,136)	(49,136)	(199,136)	(150,000)
Total Other Financing Sources and (Uses)	7,964	7,964	7,964	
Net Changes in Fund Balances	(184,000)	(185,042)	(73,899)	111,143
Fund Balances Beginning	184,000	184,000	184,000	
Fund Balances-Ending	\$ 0	\$ (1,042)	\$ 110,101	\$ 111,143

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS**  
**Required Supplemental Information-Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 753,822	\$ 753,822	\$ 772,848	\$ 19,026
Charges for Services	119,500	119,500	78,488	(41,012)
Miscellaneous	13,750	13,750	4,294	(9,456)
Interest			133	133
Total Revenues	887,072	887,072	855,763	(31,309)
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,013,649	1,186,518	1,166,824	19,694
Debt Service:				
Principal	103,880	103,880	103,880	
Interest and Fees	51,820	51,820	48,925	2,895
Capital Projects	70,000	362	362	
Administration	219,602	216,879	205,672	11,207
Total Expenditures	1,458,951	1,559,459	1,525,663	33,796
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(571,879)	(672,387)	(669,900)	2,487
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	571,879	571,879	722,000	150,121
Transfers To Other Funds				
Total Other Financing Sources (Uses)	571,879	571,879	722,000	150,121
Net Changes in Fund Balances		(100,508)	52,100	152,608
Fund Balances-Beginning			568	568
Fund Balance-Ending	\$ 0	\$ (100,508)	\$ 52,668	\$ 153,176

**CLARK COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2005

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of Budgetary Basis to Modified Cash Basis**

**Reconciliation of General Fund**

Expenditures - Budgetary Basis	\$ 10,067,093
Plus: Kentucky Advance Revenue Program	(2,791,200)
Less: Transfers to Public Properties Corporation	<u>(207,584)</u>
Expenditures - Modified Cash Basis	<u><u>\$ 7,068,309</u></u>
Other Financing Sources (Uses)	
Budgetary Basis	\$ 2,253,395
Less: Kentucky Advance Revenue Program	(2,791,200)
Less: Transfers to Public Properties Corporation	<u>(207,584)</u>
Modified Cash Basis	<u><u>\$ (745,389)</u></u>

**Reconciliation of Jail Fund**

Expenditures - Budgetary Basis	\$ 1,525,663
Less: Transfers to Public Properties Corporation	<u>(152,805)</u>
Expenditures - Modified Cash Basis	<u><u>\$ 1,372,858</u></u>
Other Financing Sources (Uses)	
Budgetary Basis	\$ 722,000
Less: Transfers to Public Properties Corporation	<u>(152,805)</u>
Modified Cash Basis	<u><u>\$ 569,195</u></u>

**CLARK COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**

**CLARK COUNTY**  
**COMBINING BALANCE SHEET-**  
**NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

**June 30, 2005**

	Local Government Economic Assistance Fund	State Grants Fund	Special Projects Fund	Total Non-Major Governmental Funds
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 215,531</u>	<u>\$ 1,170</u>	<u>\$ 82,123</u>	<u>\$ 298,824</u>
Total Assets	<u>215,531</u>	<u>1,170</u>	<u>82,123</u>	<u>298,824</u>
<b>FUND BALANCES</b>				
Unreserved:				
Special Revenue Funds	<u>215,531</u>	<u>1,170</u>	<u>82,123</u>	<u>298,824</u>
Total Fund Balance	<u>\$ 215,531</u>	<u>\$ 1,170</u>	<u>\$ 82,123</u>	<u>\$ 298,824</u>

**CLARK COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES-NON-MAJOR GOVERNMENTAL FUNDS-**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**

**CLARK COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	Local Government Economic Assistance Fund	State Grants Fund	Special Projects Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 103,050	\$	\$	\$ 103,050
Interest	4,614	3	2,123	6,740
Total Revenue	<u>107,664</u>	<u>3</u>	<u>2,123</u>	<u>109,790</u>
<b>EXPENDITURES</b>				
Recreation and Culture		150		150
Total Expenditures		<u>150</u>		<u>150</u>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	<u>107,664</u>	<u>(147)</u>	<u>2,123</u>	<u>109,640</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(62,000)	(62,000)
Total Other Financing Sources and (Uses)			<u>(62,000)</u>	<u>(62,000)</u>
Net Change in Fund Balances	107,664	(147)	(59,877)	47,640
Fund Balances-Beginning	107,867	1,317	142,000	251,184
Fund Balances-Ending	<u>\$ 215,531</u>	<u>\$ 1,170</u>	<u>\$ 82,123</u>	<u>\$ 298,824</u>

**CLARK COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2005**



**CLARK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County.
2. No reportable conditions relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Clark County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Clark County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs of Clark County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant CFDA # 14.228; Chemical Stockpile Emergency Preparedness Program (CSEPP) CFDA # 97.040.
8. The threshold for distinguishing Type A and B programs was \$300,000
9. Clark County was not determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

STATE LAWS AND REGULATIONS

**Reference Number 2005-1**

**The Jail Canteen Fund Should Not Pay For Jail Renovations**

The Jail Canteen Fund paid for a Jail Renovation Project, which renovated the basement of the Clark County Jail, to add an additional 30 beds (34 beds total under the new laws concerning square footage per inmate). The project was bid out on July 10, 2004 and bids were opened and awarded on July 28, 2004. Watson Building Inc. was the only bidder and was awarded the project. At the same July 28, 2004 meeting, the fiscal court approved the project be paid out of the Jail Canteen Fund.

A total of \$70,638 was spent for jail renovations from the Jail Canteen Fund. In review of the related invoices, we discovered that \$1,004 was for allowable expenditures and the remaining \$69,635 was for expenditures that are not allowed from the Jail Canteen Fund. KRS 441.135(1) allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. We recommend the fiscal court reimburse the Jail Canteen Fund \$69,635.

*County Judge/Executive John W. Myers's Response:*

*The county will consult legal counsel in an attempt to get this overturned.*

**CLARK COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2005**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. PRIOR YEAR FINDINGS**

None.

**CLARK COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CLARK COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2005**

	<u>Federal CFDA No.</u>	<u>Expenditures</u>	
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed Through to Clark Co Association of Handicapped Citizens, Inc.</i>			
Community Development Block Grant (Odell Gross Adaptive Reuse Project)	14.228	\$ 976,506	**
<i>Passed Through to Winchester-Clark Co Industrial Development Authority, Inc.</i>			
Community Development Block Grant (Walle Corp Project)	14.228	1,000,000	**
Total U.S. Department of Housing and Urban Development		<u>1,976,506</u>	
 <b>U.S. Department of Transportation - Federal Highway Administration</b>			
<i>Passed through KY Transportation Cabinet</i>			
TEA-21 Grant - Lower Howard's Creek Heritage Park	20.205	146,547	**
TEA-21 Grant - Civil War Site	20.205	30,792	
Total U.S. Department of Transportation		<u>177,339</u>	
 <b>U.S. Department of Homeland Security</b>			
<i>Passed through Kentucky Dept of Military Affairs</i>			
<i>Division of Emergency Management</i>			
CERT Program - Training & Supplies	97.004	215	
State Homeland Security Grant Program (SHSGP)	97.004	62,289	
Chemical Stockpile Emergency Preparedness Program (CSEPP)	97.040	197,038	**
Emergency Management Performance Grant	97.042	9,677	
Total U.S. Department of Homeland Security		<u>269,219</u>	
 <b>TOTAL FEDERAL EXPENDITURES</b>		<u><u>\$ 2,423,064</u></u>	

*Tested as a major program* \*\*

**CLARK COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2005**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal activity of the Clark County Fiscal Court and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY 40299  
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Facsimile (502) 499-9132  
[www.rosscpas.com](http://www.rosscpas.com)

The Honorable Henry Branham, Clark County Judge/Executive  
The Honorable John W. Myers, Former Clark County Judge/Executive  
Members of the Clark County Fiscal Court

Report on Internal Control Over Financial Reporting And on  
Compliance And Other Matters Based on an Audit Of Financial  
Statements Performed In Accordance With Governmental Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 25, 2006. Clark County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Clark County's financial statements as of June 30, 2005, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

Report on Internal Control Over Financial Reporting And on  
Compliance And Other Matters Based on an Audit Of Financial  
Statements Performed In Accordance With Governmental Auditing Standards  
(Continued)

- Reference Number 2005-1: The Jail Canteen Fund Should Not Pay For Jail Renovations.

This report is intended solely for the information and use of management and the Kentucky Governor's Office of Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company PLLC

Audit fieldwork completed-  
July 25, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**ROSS & COMPANY, PLLC**  
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Facsimile (502) 499-9132  
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The Honorable Henry Branham, Clark County Judge/Executive  
The Honorable John W. Myers, Former Clark County Judge/Executive  
Members of the Clark County Fiscal Court

Report On Compliance With Requirements Applicable  
To Each Major Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Clark County, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Clark County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clark County's management. Our responsibility is to express an opinion on Clark County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clark County's compliance with those requirements.

In our opinion, Clark County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Clark County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clark County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.


Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting, which we have reported to management of the Clark County in a separate letter dated July 25, 2006.

This report is intended for the information of management, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than the specified parties.

Respectively Submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit fieldwork completed-  
July 25, 2006

**CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CLARK COUNTY FISCAL COURT**


**For The Fiscal Year Ended  
June 30, 2005**

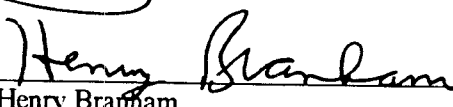
Appendix A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CLARK COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2005

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
John W. Myers  
County Judge Executive

  
\_\_\_\_\_  
Henry Bramham  
County Treasurer